



CITY OF SACRAMENTO
DEPARTMENT
OF UTILITIES

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Sacramento, CA 95822

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Bonnie Pannell, Councilmember, District 8

Ray Kerriage, City Manager

Marty Hanneman, Department of Utilities Director

Proposed Utility Rate Change Information Enclosed

Dear Customer,

The City of Sacramento Department of Utilities' (Department) mission is to provide our customers with excellent water, sewer, storm drainage, and solid waste collection services at competitive rates. Each year we evaluate our customer's service needs, review provisions of mandated programs, identify current systems needs and analyze costs associated with operation and maintenance services. If additional revenues are necessary to provide the funding to support our mission, recommendations for rate increases are made to the Utilities Rate Advisory Commission and the Sacramento City Council.

Over the past year, the Department faced significant challenges. First, a proposed rate increase for water service was not approved. Additionally, the costs for a number of critical items necessary to deliver services, such as labor, fuel, chemicals, and utilities have increased. The downturn of the housing market also created shortfalls in projected revenues and the increase in foreclosures has dramatically increased the number of unpaid utility bills that the Department is forced to write off as bad debt. Finally, the Department has obligations to pay for regulatory requirements that apply to the operation of the water, sewer and solid waste collection systems, such as the water meter retrofit program, regulatory permit requirements for the sewer systems, and landfill closure costs. These issues combined created a significant gap in the Department's budget.

The Department evaluated its revenues and expenditures and has found several cost saving efficiencies to help defray the impacts of the decreased revenues and increased costs. These include employee furloughs and holding vacancies open in the workforce across the Department as well as re-routing and rescheduling solid waste services to limit labor and overtime costs. Additionally, the Department is looking for additional funding for programs and services through grant funding and financing. Even with these cost saving measures, it is necessary to increase utility service rates. This notice describes the rate increases being proposed for the next two fiscal years; if adopted, these increases would take effect on July 1, 2009, and on July 1, 2010.

The Department is also proposing to restructure the City's existing metered water service rates that apply to residential and commercial customers. The proposed restructured metered rates will provide a

more accurate and equitable allocation of the costs incurred by the City to provide metered water service. The restructured metered rates will apply to customers that currently pay metered rates as well as customers who transition to a metered water rate as required by State law. State law requires that all customers with a meter be charged a metered water rate beginning in January 2010.

The City Council formed a Utilities Rate Advisory Commission (Commission) last year to provide advice and recommendations to the Mayor and City Council on the City's utility service rates. The Commission is made up of community members, some of whom have expertise in the Utilities field. The Department consulted with the Commission during the development of the proposed rate changes. The Commission is also charged with holding the public hearing required by Proposition 218 when the City proposes to impose or increase utility service rates.

The Commission will hold this public hearing on **Wednesday, May 27, 2009 at 6:00 pm at the City Hall Council Chamber located at 915 "T" Street, Sacramento.** You may attend this hearing to support or protest the proposed changes. After the hearing the Commission will provide recommendations regarding rate adjustments to the Mayor and City Council. It is anticipated that the City Council will make a final decision in June 2009.

Under Proposition 218, if you are the owner of record or the tenant of a parcel subject to these proposed rate changes, you may submit a protest against the proposed rate change(s) by filing a **written protest** with the City Clerk at or before the time set for the public hearing. Only one protest per parcel will be counted. A written protest must identify the parcel number(s) and the address(es) of the affected parcel(s). If written protests are filed for a majority of the affected parcels, the proposed rate changes will not be imposed. Protests regarding the proposed rate change(s) may be delivered personally or mailed to: **City of Sacramento, City Clerk, 915 "T" Street, First Floor, Sacramento, CA 95814.**

The information enclosed in this notification explains the proposed rate changes. Additional information regarding the proposed rates can be found at www.cityofsacramento.org/utilities.

PROPOSED RATE INCREASES

The Department of Utilities is proposing a two-year rate increase of 25% each year for water service and 15% each year for sewer and solid waste services effective July 1, 2009 and July 1, 2010. The proposed rate adjustments will result in an increase of approximately 16% per year to the typical residential bill for all City utility services. The proposed rate increases for a typical residential bill are shown in the following chart:

Utility Services	CURRENT RATE	PROPOSED 7/1/09 RATE	PROPOSED 7/1/10 RATE	TOTAL PROPOSED MONTHLY INCREASE YEAR 1	TOTAL PROPOSED MONTHLY INCREASE YEAR 2
Water (unmetered) ¹	\$25.97	\$32.46	\$40.58	\$6.49	\$8.12
Sewer ¹	\$13.37	\$15.38	\$17.69	\$2.01	\$2.31
Storm Drainage ¹	\$11.31	\$11.31	\$11.31	\$0.00	\$0.00
Garbage Collection (96-gallon can) ²	\$18.43	\$21.19	\$24.37	\$2.76	\$3.18
Commingled Recycling (96-gallon can)	\$4.09	\$4.70	\$5.41	\$0.61	\$0.71
Lawn & Garden Refuse Collection (not containerized) ³	\$11.23	\$12.91	\$14.85	\$1.68	\$1.94
Street Sweeping	\$1.34	\$1.54	\$1.77	\$0.20	\$0.23
TOTAL⁴	\$85.74	\$99.49	\$115.98	\$13.75	\$16.49
		16.0%	16.6%		

- Water, sewer and storm drainage rates listed above are for a typical flat rate single-family customer (6-7 room household). The percentage rate increases shown above will apply to all residential and commercial water and sewer service customers (flat rate and metered, including the proposed restructured metered water rates if adopted).
- Garbage collection rate listed above is for typical 96-gallon residential can; residents using 64 or 32-gallon cans will have lower rates. The percentage rate increases shown above will apply to all residential and commercial garbage and recycling collection customers.
- Non-containerized lawn & garden refuse collection and street sweeping rates listed above are for single-family residential customers. The percentage rate increases shown above will apply to all residential and commercial lawn & garden refuse collection (non-containerized and containerized) and street sweeping customers. The City offers a voluntary containerized collection service program that is an alternative to non-containerized lawn and garden refuse collection service. See "How can I save money on my utility bill?" for more information on this program.
- Sewer collection rates for customers served and billed by the Sacramento Area Sewer District (SASD) are not affected by this proposed change and are not included in above table.

The proposed rates for all customer categories may be viewed by visiting our website: www.cityofsacramento.org, and are on file with the City Clerk. The amount proposed to be charged for service to your parcel may be obtained by calling **Customer Service at (916) 808-5454**.

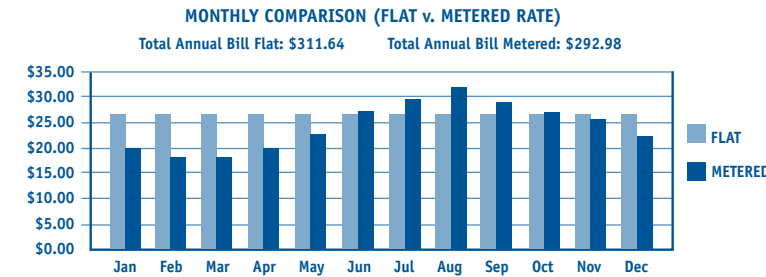
PROPOSED RESTRUCTURED METERED WATER RATES

The proposed restructured metered water rate was developed following an analysis of the Department's water service costs by a water rate expert, and consists of a fixed monthly service rate based on the size of the water meter providing the service, plus a charge for each 100 cubic feet (CCF) of water used (equal to 748 gallons). A typical residential

customer has a 1" meter. The proposed restructured metered water rate is shown below:

Monthly Basic Service Charge	Proposed
Up to 1" Meter	\$13.86
1.5" Meter	\$26.10
2" Meter	\$40.79
3" Meter	\$75.08
4" Meter	\$124.05
6" Meter	\$246.49
8" Meter	\$393.41
10" Meter	\$564.82
12" Meter	\$1,054.56
Water Usage Charge (\$/CCF)	
All water usage	\$0.566

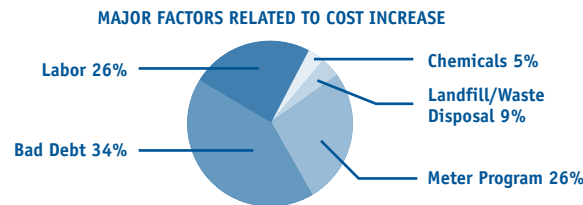
The metered rate structure shown above, if adopted, is subject to the water rate increases proposed in this notice (effective on July 1, 2009 and July 1, 2010). The effect of the restructured metered rate on a typical single-family residential customer is shown in the following chart:



Why are rates increasing?

The Department is proposing rate increases for water, sewer and solid waste services to ensure that the Department can continue to meet its levels of service. The costs for items that are vital to providing these services, such as electricity, chemicals and labor continue to rise. Fees for waste disposal are increasing and additional costs are being incurred to pay for post closure activities of landfills. The Department must also meet increasing regulatory requirements for water, sewer and solid waste services. If the Department does not comply with these regulatory requirements, the City could face mandatory fines, stricter mandates or be prevented from obtaining state and federal funds. Additionally, the Department has been facing a dramatically increasing amount of unforeseen bad debt due to the foreclosure crisis, and needs to recover those costs.

Below is a chart of the primary categories driving the projected cost increases in next year's expenditure budgets for utility services. The percentages reflect each factors share of the proposed increase of approximately \$15 million in the FY2009/10 proposed budget for these categories.



What do my rates pay for?

Revenue from rates for water, sewer, drainage and solid waste services pay for the day-to-day operations of these utility systems. They also pay for regulatory programs and state mandated programs, such as the Water Meter Implementation Program. Additionally, funds help pay for capital improvement projects that replace or rehabilitate aging infrastructure that ensure customers continue to receive vital water, sewer and drainage services.

I have a water meter. How will these proposed rate adjustments affect me?

Residential customers with a water meter receive a comparative bill that shows the meter reading and reflects what you would owe on a metered rate compared to the flat rate currently being charged. **Starting in January 2010, in accordance with State law, the City will begin to bill all customers with a meter on a metered rate.** The law also allows for one year of comparative billing after a meter is installed, prior to commencing meter billing, to provide customers with experience in volume-based water service charges.

Customers with meters will only pay for the water they use. Customers who use the median amount of water may actually see a slight decrease in their annual water bill. The City encourages its customers to use water wisely, follow the City's landscape watering ordinances and contact the City for a free Water Wise House Call. Water conservation staff will come to your home and help you find ways to save water and money on your bill.

How can I save money on my utility bill?

The Department offers its customers several ways to save money on their bills:
Metered Water Rate Conversion - As noted above, metered water customers who use less water will pay lower water bills. Customers who currently have a water meter installed can switch to a metered water rate prior to January 1, 2010, the switch-over date required by law. For more information, please call (916) 808-5454.
Use a Smaller Garbage Container - By recycling more or generating less waste, customers can convert to a smaller garbage container size and save up to 38% on their monthly garbage bill. For more information, please call 311 or (916) 808-5454.

Proposed Garbage Rates (effective July 1, 2009)

Can Size	96 Gallon	64 Gallon	32 Gallon
Monthly Charge	\$21.19	\$17.41	\$13.21
Savings	-	\$ 3.78	\$ 7.98

Voluntary Containerized Yard Waste Program - Additional savings can be achieved by switching to the City's voluntary containerized collection service program for lawn and garden refuse. Customers are provided a container to place their lawn and garden refuse in each week. This program may not be available in all areas; implementation is based on neighborhood participation. For more information about this program, please call 311 or (916) 264-5011

I can't afford my Utility bill - what should I do?

While State law precludes the Department from offering "life line" rates such as those offered by telephone and electric utilities, there are two programs that may help those who are not able to afford their City provided utilities:
Payment Plans - The Department offers payment plans for customers with delinquent accounts or those who may have difficulty paying their bills for a period of time. Customers are still responsible for paying all service charges and adhering to the payment plan.
Customer Assistance Program - For elderly, low-income or disabled customers, the Customer Assistance Program offers a way to help you pay your monthly utility bill. For details about the program, please contact Salvation Army at (916) 442-0303.